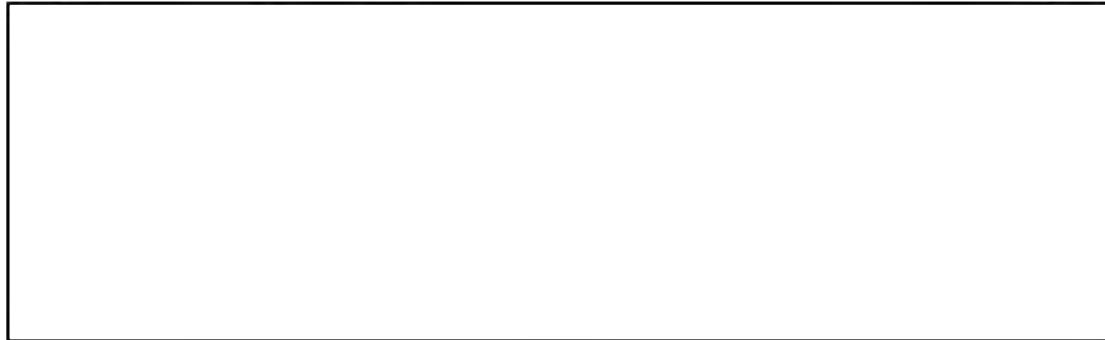


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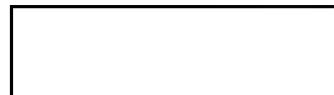
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No Progress in Iceland-West German Fishing Talks

Talks between the Icelandic and West German foreign ministers on September 26 made no visible progress toward reaching a fishing agreement.

Icelandic Foreign Minister Agustsson told press correspondents that in their meeting at the UN, he had rebuffed Foreign Minister Genscher's request to begin formal negotiations this month. Agustsson said that talks could not begin before Iceland's new unilaterally declared 200-mile fishing limit comes into effect on October 15. He added that Iceland will not negotiate an agreement with any member of the European Communities until the pending Iceland-EC tariff pact is implemented.

None of the significant European fishing countries will explicitly recognize the new 200-mile limit. The UK, whose agreement with Iceland regulating fishing within the old 50-mile limit expires on November 13, and West Germany, Belgium, and Denmark, which have no agreement with Iceland, now want to conclude pacts in order to avoid a new round of "Cod War" harassments that in the past have complicated Iceland's membership in NATO.

Iceland's coalition is under domestic pressure to grant minimal, if any, concessions to foreign fishing interests. It apparently believes, however, that the lifting of the West German ban on the tariff pact would give it the necessary domestic political maneuverability to pursue fishing talks. Agustsson stressed the need to implement the tariff agreement in his initial talks with the British last month. Neither the British nor Genscher responded to Agustsson's statement.



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EC Commissioner Soames in Caracas

In Caracas recently EC Commissioner Soames drew a strong contrast between European Community and US attitudes on oil. He also stressed the advantages of EC ties with Venezuela, including benefits for Venezuela from the EC system of trade preferences for developing countries. Soames told the press that the EC would "never" follow the US example of excluding OPEC countries from trade preferences in response to an increase in crude oil prices.

In taking this line, Soames played to a receptive audience. President Perez and other high level officials are still bitter that the US continues to include Venezuela under the OPEC exclusion clause in the US Trade Reform Act.

Caracas was Soames' first Latin American stop, undoubtedly reinforcing Venezuela's self-perception as a leading power and spokesman for the less developed countries. Venezuela has for some time wanted a closer relationship to the EC. Soames' visit will strengthen Perez' intention to find new markets and lessen dependence on the US.

On the EC side, Soames' visit to Latin America was largely a good will tour. Venezuela and Brazil, the major stops, will take part this month in the French-sponsored preparatory conference for the dialogue between petroleum exporters and importers.

Soames probably also had an eye on the EC's quest for a Venezuelan contribution to a community fund from which EC members could borrow. The

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question of a loan reportedly was not discussed but Perez may well be receptive to the idea when a group of EC experts visits Caracas next year. Despite emerging financial constraints on the government, Perez may conclude that a loan to the EC would help assure Venezuela win a foothold in the European market. [redacted]

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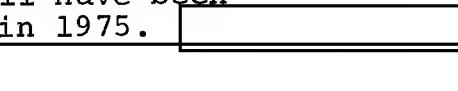
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Bonn Outvoted on EC Budget Cut

Bonn achieved steep cuts in projected EC spending last week, but bowed to an eight to one vote against any further parings at the EC Council on September 30. The Germans will, nevertheless, continue to press for reductions in community spending, particularly for agricultural support programs.

The EC budget, now at \$9 billion, is unlikely to undergo further changes during its review by the European Parliament or during final Council consideration later this year. Although the West German press is playing up a Commission commitment to search for further cuts, the budget is more likely to expand because supplementary appropriations will probably have to be made next year. Bonn's proposals last week for reducing aid to the poorest regions of the EC were accepted only after this possibility had been raised.

Chancellor Schmidt has been making political capital at home from his demands for greater austerity in Brussels. He may have preferred to dramatize his position in the Council through Bonn's isolation in the vote rather than seek a compromise. Even if the proposed West German cuts had all been accepted, the EC budget for 1976 would still have been some 15 percent higher than in 1975.



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